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GRANT TOWNSHIP
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
MARCH 31, 2004

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OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network
An Independently Owned Member

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name GRANT TOWNSHIP	County CLARE
Audit Date 3/31/04	Opinion Date 9/13/04	Date Accountant Report Submitted to State: 9/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, & in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH			
Street Address 601 Beech Street		City Clare	State MI
Accountant Signature <i>Shannon K. Wilson CPA</i>		ZIP 48617	Date 9/27/04

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

September 13, 2004

INDEPENDENT AUDITORS' REPORT

Grant Township Board
Clare County, Michigan

We have audited the accompanying general purpose financial statements of Grant Township as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the general purpose financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the cash balances of Grant Township as of March 31, 2004, and the revenues received and expenditures paid for the year then ended, on the basis of accounting described in Note 1.

Weinlander Fitzhugh

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GRANT TOWNSHIP
Combined Statement of Assets, Liabilities and Fund Balances
Arising From Cash Transactions-
All Fund Types and Account Groups
March 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>
<u>ASSETS</u>			
Cash	\$ 366,506	\$ 7,119	\$ 199
Investments	334,696	0	0
Due from other funds	199	0	0
Fixed assets	0	0	0
Total Assets	<u>\$ 701,401</u>	<u>\$ 7,119</u>	<u>\$ 199</u>

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>			
Payroll withholding	\$ 352	\$ 50	\$ 0
Due to other funds	0	0	199
Total liabilities	<u>352</u>	<u>50</u>	<u>199</u>
<u>Fund Balances</u>			
Reserved for rubbish removal	126,508	0	0
Unreserved:			
Investment in general fixed assets	0	0	0
Undesignated	574,541	7,069	0
Total fund balance	<u>701,049</u>	<u>7,069</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 701,401</u>	<u>\$ 7,119</u>	<u>\$ 199</u>

See accompanying notes to financial statements.

Account Groups	
General	Totals
Fixed	(Memorandum
Assets	Only)

\$ 0	\$ 373,824
0	334,696
0	199
394,174	394,174

<u>\$ 394,174</u>	<u>\$ 1,102,893</u>
-------------------	---------------------

\$ 0	\$ 402
0	199
0	601

0	126,508
394,174	394,174
0	581,610
394,174	1,102,292
<u>\$ 394,174</u>	<u>\$ 1,102,893</u>

GRANT TOWNSHIP
Combined Statement of Revenues Received, Expenditures
Paid and Changes in Fund Balance - Budget and Actual
General and Special Revenue Fund Types
For the Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 48,450	\$ 53,002	\$ 4,552
Special assessments	21,000	44,322	23,322
Licenses and permits	475	775	300
Charges for services	156,578	155,597	(981)
Investment revenue	3,500	8,574	5,074
Other	17,325	21,940	4,615
State Sources	216,000	217,143	1,143
Federal Sources	0	11,500	11,500
Total revenues	463,328	512,853	49,525
<u>Other Financing Sources</u>			
Transfers from other funds	0	0	0
Total revenues and other financing sources	463,328	512,853	49,525
<u>Expenditures</u>			
General government	124,000	86,722	37,278
Public safety	89,300	89,190	110
Public works	354,500	215,996	138,504
Recreation and cultural	8,000	7,190	810
Other expenditures	8,800	7,837	963
Contingency	15,400	0	15,400
Total expenditures	600,000	406,935	193,065
<u>Other Financing Uses</u>			
Transfers to other funds	0	10,000	(10,000)
Total expenditures and other financing uses	600,000	416,935	183,065
Excess revenues and other financing sources over (under) expenditures and other financing uses	(136,672)	95,918	232,590
Fund balances - beginning of year	605,131	605,131	0
Fund balances - end of year	\$ 468,459	\$ 701,049	\$ 232,590

See accompanying notes to financial statements.

Special Revenue Funds			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 48,450	\$ 53,002	\$ 4,552
0	0	0	21,000	44,322	23,322
20,068	18,067	(2,001)	20,543	18,842	(1,701)
0	0	0	156,578	155,597	(981)
0	1,116	1,116	3,500	9,690	6,190
0	0	0	17,325	21,940	4,615
0	2,572	2,572	216,000	219,715	3,715
0	0	0	0	11,500	11,500
20,068	21,755	1,687	483,396	534,608	51,212
10,000	10,000	0	10,000	10,000	0
20,068	31,755	1,687	483,396	544,608	51,212
0	0	0	124,000	86,722	37,278
25,490	23,713	1,777	114,790	112,903	1,887
0	0	0	354,500	215,996	138,504
0	0	0	8,000	7,190	810
0	0	0	8,800	7,837	963
0	0	0	15,400	0	15,400
25,490	23,713	1,777	625,490	430,648	194,842
0	0	0	0	10,000	(10,000)
25,490	23,713	1,777	625,490	440,648	184,842
(5,422)	8,042	13,464	(142,094)	103,960	246,054
(973)	(973)	0	604,158	604,158	0
\$ (6,395)	\$ 7,069	\$ 13,464	\$ 462,064	\$ 708,118	\$ 246,054

GRANT TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grant Township (Township) was organized in 1870 and covers an area of approximately 35 square miles in Clare County, Michigan. The Township operates under an elected board and provides such services as public safety, highways and streets, and sanitation.

The general purpose financial statements include all funds, account groups, and authorities that are controlled by or dependent on the Township. Controlled by or dependent on the Township is determined on the basis of budget adoption, taxing authority or receipt of significant subsidies from the Township.

A. Basis of Presentation

The financial activities of Grant Township are recorded in separate funds, categorized and described as follows:

1. Governmental Funds

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues, other than major capital projects, requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's Special Revenue Funds consist of the Liquor Law Enforcement Fund, Building Construction Fund and the Building Inspection Fund.

2. Fiduciary Funds

Trust Funds are used to account for assets held in trust or as an agent for others. Grant Township uses these funds to account for current tax collections and trailer park fees.

3. Account Groups

General Fixed Assets Account Group – This account group presents the fixed assets of the local unit utilized in its general operations. General fixed assets are recorded as expenditures in the governmental funds in the year payment is made. Such assets are recorded at cost in the General Fixed Assets Account Group. Donated fixed assets are valued at market value on the date donated. Infrastructure assets are recorded as expenditures in the appropriate fund as incurred. No depreciation has been provided on the general fixed assets.

GRANT TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The Township maintains its financial records and financial statements are prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when cash is disbursed rather than when the obligation is incurred.

C. Budgets

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with the accounting principles used in the preparation of the general purpose financial statements. The budgets are adopted at the fund level. Budget amendments are approved by a vote of the board.

D. Total Column on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

E. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on September 1 and February 14 with final collection date of February 28 before they are added to the county tax rolls. Collection of delinquent personal property taxes remains the responsibility of the township treasurer.

F. Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

GRANT TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 2 – CASH AND INVESTMENTS

The Township's cash accounts consist of various checking accounts and interest bearing savings accounts. The caption on the combined statement of assets, liabilities and fund balances arising from cash transactions related to cash and the amount in the Totals (Memorandum Only) column are as follows:

Checking	\$ 316,246
Savings	57,578
	<u>\$ 373,824</u>

At year end, the carrying amount of the Township's deposits (checking and savings) was \$373,824 with a corresponding bank balance of \$374,180.

The Township has adopted a formal investment policy consistent with that authorized by Michigan Law. The Township can invest in bonds, securities, and other obligations of the United States or an instrumentality of the United States in which the principal; and interest is fully guaranteed by the United States, certificates of deposits, savings accounts, bankers' acceptances of United States banks, United States government of Federal agency obligation to repurchase agreements, money market mutual funds composed of investment vehicles that are permitted under state law for direct investment, and high-grade commercial paper, rated within the three highest grades by at least two national ratings services, the term to maturity may not be more than 270 days and no more that 50% of any fund may be invested in commercial paper at any time.

At March 31, 2004, the Township had investments in certificate of deposits of \$334,696.

The amount of cash and investments covered by the FDIC was \$424,284.

NOTE 3 – GENERAL FIXED ASSETS

During the fiscal year ended March 31, 2004, the following changes in general fixed assets occurred:

	Balance March 31, 2003	Additions	Retirement	Balance March 31, 2004
Land	\$ 50,339	\$ 0	\$ 0	\$ 50,339
Buildings and improvements	323,242	0	0	323,242
Furniture and equipment	6,488	0	0	6,488
Supervisor	686	0	0	686
Treasurer	4,803	0	0	4,803
Clerk	4,645	0	0	4,645
Assessor	1,994	0	0	1,994
Park	1,977	0	0	1,977
	<u>\$ 394,174</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 394,174</u>

GRANT TOWNSHIP
Notes to Financial Statements
For the Year Ended March 31, 2004

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	<u>\$ 199</u>	Current Tax Fund	<u>\$ 199</u>

REPORT ON OTHER DATA

September 13, 2004

Our audit was made for the purpose of forming an opinion on the 2004 general purpose financial statements taken as a whole. The other data is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Grant Township. Such information has been subjected to the auditing procedures applied in the audit of the March 31, 2004 general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

GRANT TOWNSHIP
General Fund
Statement of Revenues Received, Expenditures Paid and
Changes in Fund Balance
For the Year Ended March 31, 2004

Revenues

Property Taxes

Current taxes	\$ 50,454
Delinquent taxes	2,548
Special assessments	44,322
	<u>97,324</u>

Licenses and Permits

Junk yard permits	25
Land division application fees	750
	<u>775</u>

Charges for Services

Rubbish removal	151,524
Trailer park fees	73
Hall rental	4,000
	<u>155,597</u>

Other Revenue

Investment revenue	8,574
Reimbursements	1,075
Cable franchise fee	11,352
Miscellaneous	9,513
	<u>30,514</u>

State Sources

State shared revenue	210,920
Administration fees	6,223
	<u>217,143</u>

Federal Sources

Federal grant revenue	11,500
-----------------------	--------

Total revenues

512,853

Expenditures

General Government

Township board	8,563
Supervisor	8,372
Assessor	25,906
Attorney	538
Clerk	12,242
Board of review	1,130
Treasurer	20,466
Township hall	9,505
	<u>86,722</u>

Public Safety

Law enforcement	13,088
Fire protection	76,102
	<u>89,190</u>

GRANT TOWNSHIP
General Fund
Statement of Revenues Received, Expenditures Paid and
Changes in Fund Balance
For the Year Ended March 31, 2004

Expenditures (Continued)

Public Works

Highways, streets and drains	\$ 66,694
Street lights	2,159
Lake weed control	3,874
Rubbish	143,269
	<u>215,996</u>

Recreation and Cultural

Library	<u>7,190</u>
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Other Expenditures

Insurance	3,448
Workers' compensation insurance	1,416
Payroll taxes	2,973
	<u>7,837</u>

Total expenditures	406,935
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Other Financing Uses

Transfers to other funds	<u>10,000</u>
--------------------------	---------------

Total expenditures and other financing uses	<u>416,935</u>
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Excess of revenues over expenditures and other financing uses	95,918
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Fund balance - beginning of year	<u>605,131</u>
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Fund balance - ending of year	<u>\$ 701,049</u>
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GRANT TOWNSHIP
Special Revenue Funds
Combining Statement of Assets, Liabilities and
Fund Balances Arising from Cash Transactions
March 31, 2004

	<u>Liquor Law Enforcement Fund</u>	<u>Building Construction Fund</u>	<u>Building Inspection Fund</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash	<u>\$ 2,274</u>	<u>\$ 2,329</u>	<u>\$ 2,516</u>	<u>\$ 7,119</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Payroll withholding	\$ (58)	\$ 0	\$ 108	\$ 50
<u>Fund Balances</u>	<u>2,332</u>	<u>2,329</u>	<u>2,408</u>	<u>7,069</u>
Total Liabilities and Fund Balances	<u>\$ 2,274</u>	<u>\$ 2,329</u>	<u>\$ 2,516</u>	<u>\$ 7,119</u>

GRANT TOWNSHIP
Special Revenue Funds
Combining Statement of Revenues Received , Expenditures
Paid and Changes in Fund Balances
For the Year Ended March 31, 2004

	Liquor Law Enforcement Fund	Building Construction Fund	Building Inspection Fund	Total
<u>Revenues</u>				
State shared revenues	\$ 2,572	\$ 0	\$ 0	\$ 2,572
Permit fees	223	0	17,844	18,067
Investment revenue	0	1,116	0	1,116
Total revenues	<u>2,795</u>	<u>1,116</u>	<u>17,844</u>	<u>21,755</u>
<u>Other Financing Sources</u>				
Transfers from other funds	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Total revenues and other financing sources	<u>2,795</u>	<u>1,116</u>	<u>27,844</u>	<u>31,755</u>
<u>Expenditures</u>				
Fees and per diem	1,325	0	14,225	15,550
Wages	1,072	0	700	1,772
Payroll taxes	104	0	1,091	1,195
Supplies	0	0	894	894
Mileage	285	0	3,018	3,303
Miscellaneous	0	0	999	999
Total expenditures	<u>2,786</u>	<u>0</u>	<u>20,927</u>	<u>23,713</u>
Excess of revenues and other financing sources over expenditures	9	1,116	6,917	8,042
Fund balance - beginning of year	<u>2,323</u>	<u>1,213</u>	<u>(4,509)</u>	<u>(973)</u>
Fund balances - end of year	<u>\$ 2,332</u>	<u>\$ 2,329</u>	<u>\$ 2,408</u>	<u>\$ 7,069</u>

GRANT TOWNSHIP
Fiduciary Funds
Combining Statement of Assets and Liabilities
Arising from Cash Transactions
March 31, 2004

	<u>Current Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	<u>\$ 199</u>	<u>\$ 0</u>	<u>\$ 199</u>
<u>LIABILITIES</u>			
Due to other funds	\$ 199	\$ 0	\$ 199
Due to other governmental units	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 199</u>	<u>\$ 0</u>	<u>\$ 199</u>

GRANT TOWNSHIP
Fiduciary Funds
Combining Statement of Assets and Liabilities
All Agency Funds
For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
CURRENT TAX FUND				
<u>ASSETS</u>				
Cash	\$ 367	\$ 1,611,342	\$ 1,611,510	\$ 199
<u>LIABILITIES</u>				
Due to General Fund	\$ 367	\$ 192,354	\$ 192,522	\$ 199
Due to school districts	0	514,354	514,354	0
Due to county	0	894,708	894,708	0
Refunds/overages	0	9,926	9,926	0
	<u>\$ 367</u>	<u>\$ 1,611,342</u>	<u>\$ 1,611,510</u>	<u>\$ 199</u>
TRUST AND AGENCY FUND				
<u>ASSETS</u>				
Cash	\$ 0	\$ 435	\$ 435	\$ 0
<u>LIABILITIES</u>				
Due to General Fund	\$ 0	\$ 73	\$ 73	\$ 0
Due to county	0	362	362	0
	<u>\$ 0</u>	<u>\$ 435</u>	<u>\$ 435</u>	<u>\$ 0</u>

GRANT TOWNSHIP
Schedule of General Fixed Assets
March 31, 2004

	<u>Cost</u>
<u>Land</u>	
Section 18 - NE 1/4 of SE 1/4: 104 acres	\$ 18,200
56 acres	11,200
Park - 15 acres corner U.S. 27 and Beaverton Road	1
Land - SE corner of Surrey Rd. and Grant Ave.	20,938
<u>Buildings</u>	
Township hall	20,000
Township hall - blacktopping	6,406
Township hall	296,836
<u>Furniture and Equipment</u>	
Township hall:	
Piano	62
Tables (6) and chairs (44 padded)	1,000
Voting devices (10)	2,958
Desk	50
Stove top	150
Refrigerator	445
Speaker system	212
Tax card binder	16
Holders for tax statements (8)	1,595
<u>Supervisor</u>	
Safe	50
4 - drawer file	50
Sharp calculator - adding machine	106
Tape recorder	100
2 sentry files (fire proof for tax cards)	380
<u>Treasurer</u>	
Sharp 2061 calculator	186
Olympia typewriter	139
4 - drawer filing cabinet	107
Computer desk	471
Computer & software (Manatron)	3,763
Fax machine	137

GRANT TOWNSHIP
Schedule of General Fixed Assets
March 31, 2004

Clerk

Olympia typewriter	\$ 121
Citizens multiplier - adding machine	161
Typewriter stand	27
Storage cabinet	64
Microfed printer	280
Computer desk	150
Fax machine / printer	130
Computer desk	1,452
Voter registration software (Fund Balance)	2,260

Assessor

Manatron computer program	1,994
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Park

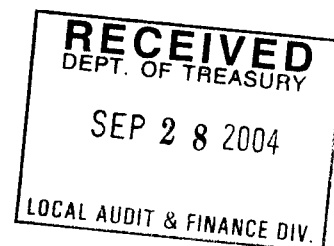
Pavilion and picnic tables	<u>1,977</u>
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Total General Fixed Assets	<u><u>\$ 394,174</u></u>
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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS



THOMAS L. TAGLAUER, CPA
ROBERT E. LIST, CPA
STEWART J. REID, CPA
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PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

September 13, 2004

To the Township Board
Grant Township
Clare County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing principles.

The Auditor's Responsibility Under U.S. generally accepted auditing principles

Our audit of the financial statements of Grant Township for the year ended March 31, 2004 was conducted in accordance with U.S. generally accepted auditing principles. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

There were a number audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, the adjustments to cash, in our judgment, either individually or in the aggregate, have a significant effect on the Township's financial reporting process.

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GLADWIN AND WEST BRANCH

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WEINLANDER FITZHUGH

Grant Township
September 13, 2004
Page 2

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township Board are described in Footnote 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the Township Board or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us so as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Other Matters

New Financial Reporting Model

Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" was recently released. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. The GASB developed the new requirements to make annual reports more comprehensive and easier to understand and use. We've highlighted some of the major changes below for your information.



WEINLANDER FITZHUGH

Grant Township
September 13, 2004
Page 3

The Statement requires governments to continue to present financial statements that provide information about funds; however, governments will now be required to report information about their most important, or "major" funds. Additionally, governments will be required to continue to provide budgetary comparison information in their annual reports; however, added to that comparison will be the *original* budget.

Also required by the Statement is management's discussion and analysis (referred to as MD&A). For the first time, financial managers will be asked to share their insights in a required MD&A by giving readers an objective and easily readable analysis of the government's *financial* performance for the year. This analysis should also provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations. The use of account groups, namely the General Fixed Asset Account Group and the General Long-Term Debt Account Group, will be discontinued. Capital assets and long-term debt will be reported with the other assets and liabilities of the governmental unit in a required "Statement of Net Assets". Capital assets will now be depreciated with depreciation expense reported in a required "Statement of Activities".

The requirements of this Statement are effective in three phases based on a government's total annual revenue in the first fiscal year ending after June 15, 1999. Based on the financial results of the Township for the year ended March 31, 2000, Grant Township would be required to implement the new reporting model for the year ended March 31, 2006.

Use of computer software

Grant Township has now successfully used QuickBooks software for accounting purposes for a full year. It is recommended that the Township consider using more features of QuickBooks such budget reports. The use of the additional features will provide the Township with additional reports such as budget to actual and will save the management time in preparation of reports used by the Board. Weinlander Fitzhugh can assist the Township in implementing the use of the other available features and reports.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Grant Township.

This report is intended solely for the information and use of the Township Board and management and is not intended to be and should not be used by anyone other than the specified parties.

Weinlander Fitzhugh
WEINLANDER FITZHUGH